



**DEPARTMENT OF DEFENSE**

**FINANCIAL MANAGEMENT REGULATION**

**VOLUME 1: “GENERAL FINANCIAL MANAGEMENT  
INFORMATION, SYSTEMS AND REQUIREMENTS”**

**UNDER SECRETARY OF DEFENSE  
(COMPTROLLER)**

**VOLUME 1, CHAPTER 1: “CHIEF FINANCIAL OFFICER (CFO) OF THE  
DEPARTMENT OF DEFENSE”****SUMMARY OF MAJOR CHANGES**

All changes are denoted by **blue font**.

Substantive revisions are denoted by an \* symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue and underlined font**.

The previous version dated June 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Inserted and updated hyperlinks.	Update
010602.D	Added Business Integration Directorate responsibilities.	Add
Figure 1-1	Updated the DoD Chief Financial Officer Structure.	Update

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## CHAPTER 1

**CHIEF FINANCIAL OFFICER OF THE DEPARTMENT OF DEFENSE**

## 0101 GENERAL

## 010101. Purpose

This chapter describes the responsibilities of the Department of Defense (DoD) Chief Financial Officer (CFO) as established by the Chief Financial Officers Act of 1990 (sections [901](#), [902](#), and [903](#) of title 31, United States Code (U.S.C.)—herein referred to as the CFO Act) and [DoD Directive \(DoDD\) 5118.03](#), “Under Secretary of Defense (Comptroller (USD(C)))/Chief Financial Officer (CFO), Department of Defense.”

## 010102. Overview

The DoD USD(C)/CFO is the Principal Staff Assistant and advisor to the Secretary of Defense for budgetary and fiscal matters (including financial management, accounting policy and systems, managers’ internal control systems, budget formulation and execution, and contract audit administration and organization) and general management improvement programs. The DoD USD(C)/CFO shall manage all functions and responsibilities prescribed in section 902 and section [3515 of title 31, U.S.C.](#) See Figure 1-1 for the DoD Chief Financial Officer Structure.

## 0102 APPOINTMENT OF CHIEF FINANCIAL OFFICER OF THE DEPARTMENT OF DEFENSE

The CFO Act designates DoD as an agency whose CFO is either appointed by the President, by and with the advice and consent of the U.S. Senate; or designated by the President, in consultation with the head of the agency, from among officials of the agency who are required by law to be so appointed. The USD(C), who is appointed by the President and confirmed by the U.S. Senate, is the DoD CFO.

## 0103 AUTHORITIES AND FUNCTIONS

The DoD USD(C)/CFO is charged with the responsibility of developing and implementing DoD-wide financial management systems and overseeing financial management activities relating to the CFO programs and operations of the DoD. In that capacity, and consistent with the CFO Act, the following authorities and functions are assigned to the DoD USD(C)/CFO:

## 010301. Reporting

Report directly to the Secretary of Defense regarding financial management matters.

## 010302. Oversight

Oversee all financial management activities relating to the programs and operations of the DoD. To carry out this responsibility, the DoD USD(C)/CFO has the authority to:

- A. Establish financial management policies for the DoD including its component parts.
- B. Ensure compliance throughout the DoD with applicable accounting policy, standards and principles, as well as financial information and systems functional standards.
- C. Establish, review and enforce internal control policies, standards and compliance guidelines involving financial management.
- D. Provide oversight of financial management activities and operations including: (a) preparation and annual revision of the Financial Improvement and Audit Readiness (FIAR) plan and (b) development of financial management budgets.
- E. Ensure adequate controls over real property, equipment and inventories.
- F. Ensure complete, reliable, consistent, timely and accurate information on disbursements is available in financial management systems.

## 010303. Financial Management Systems

Develop and maintain an integrated agency accounting and financial management system, including financial reporting and internal controls, and inform the Business Transformation Agency as to the adequacy of their actions where applicable on systems transformation. Refer to Chapter 3 for financial management systems requirements. Ensure system:

- A. Complies with applicable accounting principles, standards and requirements, and internal control standards;
- B. Complies with such policies and requirements as may be prescribed by the Director of the Office of Management and Budget (OMB);
- C. Complies with any other requirements applicable to such systems; and
- D. Provides for:
  - 1. Complete, reliable, consistent and timely information which is prepared on a uniform basis and which is responsive to the financial information needs of DoD management;
  - 2. The development and reporting of cost information;

3. The integration of accounting and budgeting information; and
4. The systematic measurement of performance.

010304. Recommendations

Make recommendations to the Secretary of Defense regarding the selection of the DoD Deputy CFO.

010305. Management

Direct, manage and provide policy guidance and oversight of DoD financial management activities, personnel, and operations, including:

A. The preparation and annual revision of a DoD plan to implement the 5-year financial management plan prepared by the Director of OMB and to comply with the audited financial statements provisions of the CFO Act.

B. The development of DoD financial management budgets.

C. The recruitment, selection and training of personnel to carry out DoD financial management functions.

D. The approval and management of DoD financial management systems design or enhancement projects.

E. The implementation of DoD asset management systems, including systems for cash management, credit management, debt collection and property inventory management and control.

F. To direct, manage and provide policy guidance and oversight, the DoD USD(C)/CFO, has authority to:

1. Manage directly, and/or monitor, evaluate and approve, the design, budget, development, implementation, operation and enhancement of DoD-wide accounting, financial and asset management systems.

2. Coordinate on the design for other information systems that provide, at least in part, financial and/or program performance data used in budget development and financial statements, to ensure that the DoD USD(C)/CFO needs are met.

3. Ensure that program information systems provide financial and programmatic data (including program performance measures) on a reliable, consistent and timely basis to DoD financial management systems.

4. Evaluate, where appropriate, the installation and operation of such systems.

010306. Performance and Accountability Report (PAR)

As required by [OMB Circular A-136](#) (see Volume 6B for information on the preparation requirements of this report), activities must prepare and transmit an annual report to the Secretary of Defense and the Director of OMB, which shall include:

- A. A description and analysis of the status of financial management within the Department;
- B. Annual financial statements;
- C. Audit reports submitted to the Secretary of Defense addressing financial statements;
- D. A summary of reports on the internal accounting and administrative control systems submitted under the Federal Managers' Financial Integrity Act; and
- E. Other information the Secretary of Defense considers appropriate to fully inform the President and the Congress concerning the financial management of the DoD.

010307. Budget Execution

Monitor the financial execution of the DoD budget in relation to actual expenditures, and prepare and submit to the Secretary of Defense timely performance reports. To enable the DoD USD(C)/CFO, to prepare and submit timely performance reports, the DoD USD(C)/CFO has authority to:

- A. Mandate DoD-wide data and reporting format requirements.
- B. Review and approve financial reports and statements prepared by DoD components for transmittal to the Secretary of Defense, OMB, the President, the Congress or external groups.
- C. Prepare consolidated and/or combined financial statements and work with the Inspector General, DoD and other auditors to improve the statements' independent review and auditability.
- D. Develop, in coordination with program managers, financial and programmatic performance indicators for inclusion in financial systems and financial reports and statements.
- E. Ensure that data included in financial reporting (including program performance measures) is auditable.

F. Advise program managers on financial management matters when requested.

010208. Biennial Review

Review, on a biennial basis, the fees, royalties, rents and other charges imposed by the Department for services and things of value it provides, and make recommendations on revising those charges to reflect costs incurred in providing those services and things of value.

0104 CHIEF FINANCIAL OFFICERS COUNCIL

The DoD CFO is a member of the Chief Financial Officers Council (CFOC) consisting of the Deputy Director for Management of OMB, the Controller of the Office of Federal Financial Management of OMB, the Fiscal Assistant Secretary of the Treasury and agency CFOs. The CFOC meets periodically to advise and coordinate the activities of its agency members on such matters as consolidation and modernization of financial systems, improved quality of financial information, financial data and information standards, internal controls, legislation affecting financial operations and organizations, and other financial management matters.

0105 DEPUTY CHIEF FINANCIAL OFFICER OF THE DEPARTMENT OF DEFENSE

The CFO Act requires that each of the specified agencies shall have a Deputy CFO who shall report directly to the Agency CFO on financial management matters. The position of Deputy CFO shall be a career-reserved position in the Senior Executive Service. Consistent with qualification standards developed by, and in consultation with, the Agency CFO and the Director of OMB, each Agency head shall appoint as Deputy CFO an individual with demonstrated ability and experience in accounting, budget execution, financial and management analysis, systems development, and not less than 6 years practical experience in financial management at large governmental entities.

0106 DOD STAFF ORGANIZATIONS RESPONSIBLE FOR IMPLEMENTING CFO FUNCTIONAL REQUIREMENTS

010601. Deputy Comptroller (Program/Budget)

The Deputy Comptroller (Program/Budget) is responsible for overseeing and implementing budgetary functions within the DoD on a day-to-day basis.

A. The Directorate for Program and Financial Control is responsible for budget review tracking, the submission of the automated defense budget for the President's budget, maintenance of the budget data bases, apportionment of funds, reprogramming and transfer of funds, obligation and outlay forecasting and tracking, budget concepts and scorekeeping, and information system support.



B. The Directorate for Investment is responsible for advising the Deputy Comptroller (Program/Budget) on all matters pertaining to: Procurement; Research, Development, Test, and Evaluation; the National Foreign Intelligence Program; and for the Defense Acquisition Board program.

C. The Directorate for Military Personnel and Construction is responsible for advising the Deputy Comptroller (Program/Budget) on all matters pertaining to operating and maintaining the U.S. military force structure to include active, reserve, and retired military; Defense Health Program; military construction; family housing; homeowners assistance; North Atlantic Treaty Organization infrastructure; Base Realignment and Closure; and Real Property Maintenance.

D. The Directorate for Operations is responsible for advising the Deputy Comptroller (Program/Budget) on all matters pertaining to operating and maintaining the U.S. military force structure to include active and reserve military personnel and civilian personnel.

E. The Directorate for Revolving Funds is responsible for advising the Deputy Comptroller (Program/Budget) on all matters pertaining to Defense-wide Working Capital Funds, the Pentagon Reservation Maintenance Revolving Fund, the Building Maintenance Fund, the Conventional Ammunition Working Capital Fund, the National Defense Stockpile Transaction Fund, and the Military Services' Management and Trust Funds.

010602. Deputy Chief Financial Officer

The Deputy CFO is responsible for overseeing and implementing accounting policy, improvements in financial management, as well as other financial management functions for the DoD on a day-to-day basis.

A. The Directorate for Accounting and Finance Policy is responsible for developing, publishing, implementing, and interpreting DoD-wide accounting and finance policies; providing direct support to the DoD USD(C)/CFO and Deputy CFO on various interagency forums; advocates for the DoD USD(C)/CFO on various interagency organizations and representing the DoD USD(C)/CFO on various internal DoD councils, boards and committees pertaining to policy; and providing oversight of, and performing liaison functions with, the DoD Components with respect to financial management operations, systems, responses to audit reports, policy clarifications, and other matters related to financial management; and administering the 15-volume DoD Financial Management Regulation.

B. The Directorate for Financial Improvement and Audit Readiness (FIAR) is responsible for oversight, management, performing liaison functions and partnering with the DoD Components on the Financial Improvement and Audit Readiness Plan, which identifies financial process, system and statement deficiencies and provides detailed corrective actions to address those deficiencies; implementation of the Federal Manager's Financial Integrity Act program for the DoD, to include Management's Responsibility for Internal Control ([OMB Circular A-123, Appendix A](#)) for the Secretary of Defense; management of the Improving Financial Performance

Initiative of the President's Management Agenda; and advocates for the DoD USD(C)/CFO on various interagency forums and internal DoD councils, boards, and committees pertaining to audit readiness.

C. The Directorate for Financial Reporting and Analysis is responsible for financial reporting for the Department. These responsibilities include preparation of the Department's Annual Report (Performance and Accountability Report). In addition, the Directorate maintains oversight of other significant financial reporting requirements such as the Report on Reliability, the Statement of Accountability, and Management Representation Letters; advocates for the DoD USD(C)/CFO on interagency organizations and committees, various internal DoD councils, boards and committees pertaining to financial reporting; provides oversight of, and performs liaison functions with, the DoD Components with respect to financial management operations, systems, and other matters related to financial management; and develops and maintains Departmental financial performance metrics and associated automated tools, facilitates the development and operation of government-wide financial indicators.

\* D. The Directorate for Business Integration leads the integration and coordination of business and financial systems and processes within the Office of the Under Secretary of Defense (Comptroller) and on a Defense-wide basis; works with Program/Budget through business integration initiatives to ensure that budget execution metrics properly reflect DoD spending, projections, and execution trends for informed decision making by the DoD USD(C)/CFO; provides representation and advice on business and financial management forums and other relevant boards and committees; represents the DoD USD(C)/CFO Title 10, U.S.C. role in the development of enterprise business and financial systems across DoD; leads the planning, control and implementation of DoD financial management transformation and modernization activities; leads the Defense-wide Financial Improvement and Audit Readiness efforts to ensure that the Department achieves an unqualified opinion on its financial statement as required by the CFO Act; and manages the Defense-wide Statement of Assurance process by monitoring and reporting the status of auditor and manager identified material weaknesses and corrective action plans.

010603      Director, Defense Finance and Accounting Service (DFAS)

The Director of the Defense Finance and Accounting Service (DFAS) is the principal DoD executive for finance and accounting requirements, systems, and functions under the authority and direction of the USD(C). In accordance with DoDD 5118.03 and DoDD 5118.5, "Defense Finance and Accounting Service," the Director, DFAS shall:

A. Direct finance and accounting requirements, systems, and functions for all appropriated, nonappropriated, working capital, revolving, and trust fund activities, including security assistance.

B. Establish and enforce requirements, principles, standards, systems, procedures, and practices necessary to comply with finance and accounting statutory and regulatory requirements applicable to the Department of Defense.

C. Provide professional finance and accounting services for DoD Components and other Federal agencies.

D. Direct the consolidation, standardization, and integration of finance and accounting requirements, functions, procedures, operations, and systems and ensure their proper relationship with other DoD functional areas (e.g., budget, personnel, logistics, acquisition, civil engineering, etc.)

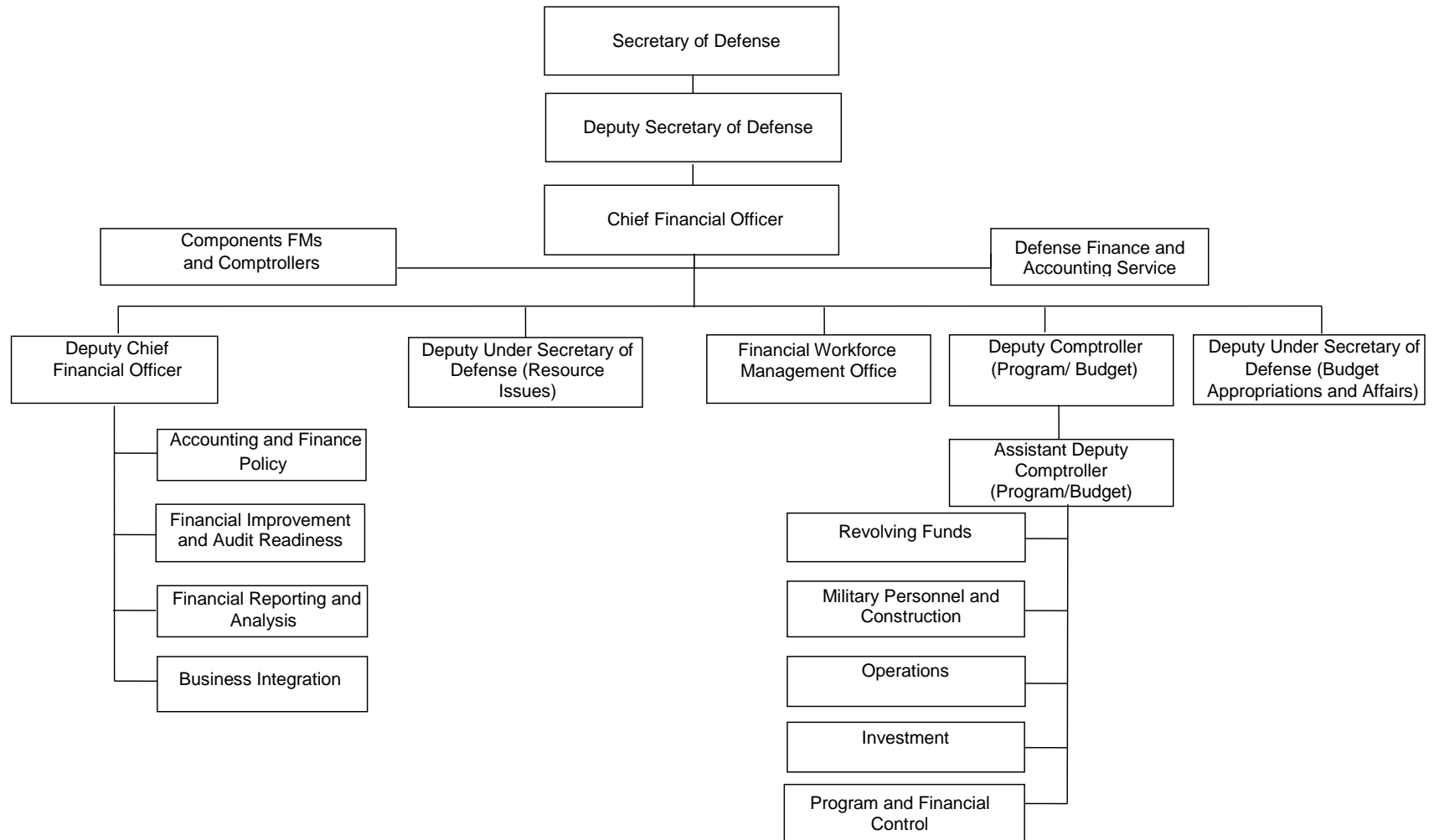
E. Execute statutory and regulatory financial reporting requirements and render financial statements.

F. Approve the establishment or maintenance of all finance and accounting activities independent of DFAS.

#### 0107 RESPONSIBILITIES OF THE HEADS OF DOD COMPONENTS FOR IMPLEMENTING CFO FUNCTIONAL REQUIREMENTS

The Heads of the DoD Components shall direct and manage financial management activities within their respective Components, consistent with the policies, requirements, principles, standards, procedures, and practices prescribed by the DoD USD(C)/CFO and DFAS, and other policies as prescribed by the Heads of the other DoD Components.

\*Figure 1-1: DOD CHIEF FINANCIAL OFFICER STRUCTURE



**VOLUME 1, CHAPTER 2: “FEDERAL ACCOUNTING STANDARDS  
HIERARCHY”****SUMMARY OF MAJOR CHANGES**

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<b>PARAGRAPH</b>	<b>EXPLANATION OF CHANGE/REVISION</b>	<b>PURPOSE</b>
Table of Contents	Expanded.	Update
020201	Updated guidance to indicate that Accounting and Finance Policy is the primary contact on guidance and clarification of FASAB matters within DoD.	Update
020202	Updated guidance to indicate that correspondence presenting a DoD position on FASAB matters will be signed by either the CFO or DCFO.	Update
020203	Updated guidance to ensure DoD representation on FASAB Task Forces.	Update

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## CHAPTER 2

**FEDERAL ACCOUNTING STANDARDS HIERARCHY**

## 0201 GENERAL

## 020101. Purpose

A. This chapter includes the Federal Accounting Standards Advisory Board (FASAB) hierarchy of accounting principles and standards. [These standards](#) are used to promulgate DoD accounting and financial reporting policy within the [Department of Defense \(DoD\) \*Financial Management Regulation\* \(FMR\)](#). The purpose of these principles and standards is to improve the usefulness of federal financial reports.

B. The provisions of this chapter apply to all DoD Components, including the Defense Working Capital Fund activities. However, this chapter does not apply to Nonappropriated Fund (NAF) accounting. NAF accounting policies are in [Volume 13](#).

C. Interim policies and guidance issued by the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) through various memoranda can be found on the OUSD(C) [DoD FMR](#) website above each related volume. Such interim guidance will be incorporated into the DoD FMR once it is finalized.

## 020102. Overview

A. To comply with the [Chief Financial Officers \(CFO\) Act of 1990](#), as amended, federal financial managers, accountants and auditors need to apply appropriate accounting principles and standards. These concepts and standards result from the due process of [FASAB](#). FASAB was established in October 1990 by the Director of the Office of Management and Budget (OMB); the Secretary of the Treasury; and the Comptroller General, Government Accountability Office (GAO) to consider and recommend accounting principles for the Federal Government.

B. In 1999, the American Institute of Certified Public Accountants' (AICPA) Council designated the FASAB as the accounting standards-setting body for Federal Government entities under [Rule 203](#) of the AICPA's Code of Professional Conduct. The AICPA had previously designated the FASB as the standards-setter for the private sector in 1973 and the Governmental Accounting Standards Board (GASB) as the standards-setter for states and local governments in 1986. Until the AICPA action, the Federal Government did not have a Rule 203 designated accounting standards setter. With this designation, Federal Government reporting entities are able to obtain audit opinions that indicate that the financial statements are presented in conformity with GAAP rather than an "other comprehensive basis of accounting." See also the American Institute of Certified Public Accountants (AICPA) Statement of Auditing Standards #91, *Federal GAAP Hierarchy* (codified at [AU sec. 411.14-.15, and .18](#)).

C. In July 2009, FASAB joined with GASB and published the [Statement of Federal Financial Accounting Standard \(SFFAS\) 34](#), *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*. This document identifies the GAAP hierarchy for federal reporting entities.

D. The FASAB develops accounting standards taking into consideration the financial and budgetary information needs of the Congress, executive agencies, other users of federal financial information and comments from the public. The FASAB then exposes the proposed standard for public comment. The Board considers comments and then decides whether to adopt the standard with or without modification. After the Board concludes its deliberations on a proposed statement, they submit it to the sponsors who have 90 days to review the statement. If neither the Director of the Office of Management and Budget nor the Comptroller General object, the statement is published by FASAB and becomes GAAP for federal financial reporting entities.

E. When the FASAB adopts recommended statements, they are published as [Statements of Federal Financial Accounting Standards](#). These SFFASs are the body of standards that are the GAAP for Federal Government entities.

F. A codification of [FASAB Standards](#) and other FASAB authoritative publications including FASAB Interpretations, Technical Bulletins, and Technical Releases is located at <http://www.fasab.gov/codifica.html>. Documents recently issued and not yet codified are also presented at this location.

#### 020103. [Hierarchy of Accounting Standards](#)

A. The SFFASs are GAAP applicable to the Federal Government and shall be followed by all federal agencies, in reporting under the [Government Management Reform Act of 1994](#). DoD Components shall adhere to the GAAP hierarchy prescribed in [SFFAS 34](#). The sources of accounting principles that are generally accepted are categorized in descending order of authority as follows:

1. FASAB SFFAS and Interpretations.
2. FASAB Technical Bulletins and, if specifically made applicable to federal reporting entities by the AICPA and cleared by the FASAB, AICPA Industry Audit and Accounting Guides. Such pronouncements specifically made applicable to federal reporting entities are presumed to have been cleared by the FASAB, unless the pronouncement indicates otherwise.
3. Technical Releases of the Accounting and Auditing Policy Committee of the FASAB.
4. Implementation guides published by the FASAB staff, as well as practices that are widely recognized and prevalent in the Federal Government.



B. If the accounting treatment for a transaction or event is not specified by a pronouncement or established in practice as described in subparagraph 020103.A, a federal reporting entity should **first** consider accounting principles for similar transactions or events within categories in subparagraphs 020103.A before considering Other Accounting Literature discussed in paragraph 020104.

C. A federal reporting entity should not follow the accounting treatment specified in accounting principles for similar transactions or events in cases in which those accounting principles either (a) specifically prohibit the application of the accounting treatment to the particular transaction or event or (b) indicate that the accounting treatment should not be applied to other transactions or events by analogy.

020104. Other Pronouncements and Practices

A. Other Accounting Literature includes:

1. FASAB Concepts Statements;
  2. AICPA Industry Audit and Accounting Guides that have not specifically been made applicable to federal reporting entities by the FASAB;
  3. Pronouncements of other accounting and financial reporting standards-setting bodies, such as FASB, GASB, the International Accounting Standards Board, and the International Public Sector Accounting Standards Board;
  4. Publications of professional associations or regulatory agencies;
- and
5. Accounting textbooks, handbooks, and articles.

B. The appropriateness of other accounting literature depends on its relevance to particular circumstances, the specificity of the guidance, and the general recognition of the issuer or author as an authority. FASAB Concepts Statements would normally be more influential than other sources in this category.

0202 COMMUNICATION AND COORDINATION

\* 020201. Guidance and Clarification

To ensure the consistent application of SFFAS throughout DoD, the **Office of the Deputy Chief Financial Officer (DCFO)**, Directorate for Accounting and Finance Policy, OUSD(C) shall be contacted when clarification, technical guidance, implementation guidance or other information regarding **federal accounting standards** is needed.

\* 020202. Correspondence

A. Formal and informal requests addressed to the FASAB or the Accounting and Auditing Policy Committee for an interpretation, clarification, technical guidance, implementation guidance or other information regarding SFFAS shall be submitted through the Office of the DCFO, Directorate for Accounting and Finance Policy (A&FP), OUSD(C).

B. All correspondence presenting a DoD position on FASAB Exposure Drafts and on any other matters before FASAB or the AAPC will be signed by either the DoD Chief Financial Officer or DoD DCFO.

C. Individuals submitting responses to Exposure Drafts will clearly indicate in the correspondence that the opinions expressed are those of the individual and do not represent the official position of DoD.

\* 020203. Task Force Participation

A. Full participation by DoD in Task Forces sponsored by FASAB and the AAPC is critical to ensuring that DoD's views are considered as accounting standards and guidance are formulated. This participation includes meeting attendance, participation in group discussions, preparing draft documents and commenting on draft Task Force documents.

B. To ensure complete coverage by DoD, Task Force participants should notify the Office of the DCFO, A&FP, OUSD(C) of participation in FASAB and AAPC Task Forces. Task Force participants should also remain alert to the fact that many issues will impact multiple DoD Components and coordinate with A&FP and other DoD Components to ensure that DoD is properly represented.

**VOLUME 1, CHAPTER 3: “FEDERAL FINANCIAL MANAGEMENT  
IMPROVEMENT ACT OF 1996 COMPLIANCE, EVALUATION, AND  
REPORTING”**

**SUMMARY OF MAJOR CHANGES**

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The previous version dated February 2005 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
ALL	Complete rewrite of policy to align Federal Financial Management Improvement Act (FFMIA) compliance with the related efforts to achieve auditability.	Revision
0301	As recommended by the Government Accountability Office (GAO) report #GAO/AMID 97-29 (Financial Management, DoD Inventory of Financial Management Systems Is Incomplete) dated January 1997, this chapter has been changed to include mixed systems in the definition of financial management systems based on the definition cited in Office of Management and Budget (OMB) Circular 127.	Revision

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## CHAPTER 3

**FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT OF 1996  
COMPLIANCE, EVALUATION, AND REPORTING****\*0301 PURPOSE AND AUTHORITATIVE GUIDANCE****030101. Purpose**

This chapter provides Department of Defense (DoD) policies for evaluating, achieving, and reporting compliance with the Federal Financial Management Improvement Act (FFMIA) of 1996, Pub. Law No. 104-208, section 801, 31 U.S.C. 3512, note. The FFMIA provides specific requirements to Chief Financial Officer Act agencies and requires auditors to assess Agency compliance during financial statement audits.

**030102. Authoritative Guidance**

The Office of Management and Budget (OMB) Circulars A-123, "Management's Responsibility for Internal Control," and A-127, "Financial Management Systems," provide policies and procedures to be followed in developing, operating, evaluating, and reporting on financial management systems, which are to be addressed in the agencies' annual statement on whether its financial management systems conform to government-wide requirements. They and prescribe policies and standards for Federal Agencies to follow in developing, operating, evaluating, and reporting on financial management systems. As outlined in this chapter, the DoD policy applicable to achieving FFMIA compliance and structure is consistent with OMB Circular A-127 and reflects guidelines to aid DoD entities in achieving compliance with the FFMIA in the period before auditability.

**030103. Scope and Applicability**

This chapter defines and prescribes the following:

- A. Integrated Financial Management Systems (IFMS).
- B. FFMIA compliance, to include timeframes when target IFMS and Financial Systems must be evaluated for FFMIA compliance; how (and by whom) target IFMS and Financial Systems are evaluated and tested for FFMIA compliance; and how and when compliance is reported, measured, and monitored.
- C. Applicability (Reporting Entities for FFMIA purposes).
- D. Criteria for determining which financial and mixed systems must be evaluated for FFMIA compliance.
- E. Requirements for developing, maintaining, and executing remediation plans when a Department of Defense (DoD) Component is not in compliance with FFMIA.

F. Roles and responsibilities of the Office of the Secretary of Under Secretary of Defense (Comptroller) (OUSD (C)) and DoD Components.

**\*0302 BACKGROUND**

**030201. FFMIA Requirements**

FFMIA requires adherence with:

A. Federal financial management system requirements as defined by the Financial Systems Integration Office.

B. Federal accounting standards.

C. The United States Standard General Ledger at the transaction level.

**030202. FFMIA Federal Manager Responsibilities**

The FFMIA provides the basis for the development and implementation of financial systems (to include mixed systems) that provide reliable financial management information. The intent of this Act is to provide standard guidance for Federal Agencies to follow in developing usable systems that support federal manager responsibilities to:

A. Provide reliable and timely financial information for managing current operations,

Prepare financial statements and other required financial and budget reports, and

B. Account for their assets reliably, in order to protect them from loss, misappropriation, or destruction.

**030203. FFMIA Compliance Measurement**

FFMIA compliance is measured at the Reporting Entity level and requires:

A. Annual assessments reported by the Agency/Entity Head.

B. Formal remediation plans when IFMS or financial systems fail to comply.

C. Assessments by auditors during financial statement audits.

## \*0303 POLICY

## 030301. Internal Controls over Financial Reporting

The DoD approach to FFMIA compliance capitalizes on the related efforts to achieve auditability and to maintain effective internal controls over financial reporting (ICOFR). These related efforts, guided by OMB Circular 123 (Management's Responsibility for Internal Controls) and OMB Circular 136 (Financial Reporting Requirements), strive to achieve many of the same objectives as the objectives of the FFMIA. As a result, much of the documentation and testing in support of the auditability and ICOFR also supports the Department's efforts to become FFMIA compliant.

## 030302. FFMIA Compliance

The following defines the FFMIA compliance approach in order to help ensure that the Department addresses these related requirements efficiently:

A. Reporting Entities. All DoD Components must adhere to the FFMIA and OMB Circular A-127 requirements. All DoD Reporting Entities listed in Volume 6B, Chapter 1, paragraphs 010601, 010602, and 010605 are directed to report their compliance with FFMIA as part of their Annual Statement of Assurance beginning in fiscal year 2010, as required by the Federal Managers Financial Integrity Act and guidance issued annually by the OUSD(C). The FFMIA compliance of individual financial and mixed systems are also to be identified in the DoD Information Technology Portfolio Repository (DITPR) as part of the annual review process for Defense business systems undertaken in accordance with the accountability requirements of 10 U.S.C. 2222.

B. Responsible Parties

1. The Head of each DoD Reporting Entity, as defined in subparagraph 030302.A, is responsible for planning, testing, evaluating, remediating, and reporting remediation action progress and results. The entity Head may delegate these responsibilities.

2. The entity Head or delegate may rely on independent internal or external resources (e.g., Service Audit Agency, DoD Inspector General, Independent Public Accounting (IPA) firms) for FFMIA testing and evaluation and should ensure resources employed are objective and sufficiently qualified to perform the evaluation. The Government Accountability Office's (GAO) *Government Auditing Standards* and the American Institute of Certified Public Accountants Statement on Auditing Standards Number 1, Section 210 both provide guidance regarding qualifications for personnel performing program and financial statement audits.

C. Compliance/Remediation Planning and Monitoring

1. DoD Financial Improvement and Audit Readiness (FIAR) Plan.

The FIAR Plan is the Department's comprehensive compliance and remediation plan for:

- a. Improving financial information.
- b. Preparing for future financial statement audits based on incremental efforts focused on end-to-end business process segments, implementing OMB Circular 123, Appendix A (i.e., documenting, testing and strengthening financial controls at the transaction level).
- c. Working concurrently to also achieve FFMIA compliance by end-to-end business process segment.

2. Target Integrated Financial Management System (IFMS). Each DoD Reporting Entity as defined in subparagraph 030302.A, shall document their target IFMS in their FIAR Plan and the DoD Enterprise Transition Plan. The target IFMS is the IFMS the entity plans to be using when the entire Reporting Entity achieves auditability. If a system is not planned to be a component of the target auditable IFMS, then it should not be evaluated based on the following criteria for FFMIA compliance.

- a. Specific system, module, or components of the target IFMS shall be identified and associated with segments and end-to-end business process in the FIAR Plan.
- b. Each system, module, or component of the target IFMS must be recorded in the DoD Financial Management System Inventories maintained in the DITPR in accordance with DoD policies and requirements.
- c. The target IFMS must be consistent with the Financial Management System Inventory reported to OMB annually.

3. Testing Plan. The schedule for testing the individual components or defined group of components of the target IFMS shall be consistent with and in support of the management assertion plans and timelines in the entity's Financial Improvement Plan (FIP) and in the DoD FIAR Plan. Test plans for individual components of the target IFMS must consider the inter-operability of all operational components of the Reporting Entity's target IFMS.

4. Remediation Plan. Testing of individual target IFMS components is expected to identify instances of non-compliance with FFMIA requirements. When such instances are identified, the Reporting Entity shall develop and document corrective actions and include them in their FIP and the DoD FIAR Plan. The remediation plan must specify a completion date for planned compliance with FFMIA requirements in accordance with FIAR Plan milestone guidance.



5. Reporting FFMIA Evaluation Results. Each DoD Reporting Entity must report the results of their evaluation of FFMIA compliance in the Statement of Assurance required by OMB Circular A-123 beginning in fiscal year 2010. If the agency's systems do not substantially conform to financial systems requirements, the Statement of Assurance must list the reasons for nonconformance and provide the agency's plans for bringing its systems into substantial compliance. Financial management systems include both financial and mixed systems.

030303. The FFMIA Compliance Process

A. The OUSD(C), Directorate for Financial Improvement and Audit Reporting (FIAR) shall annually update and publish the Department's FIAR Plan guidance.

B. The FIAR Plan guidance shall:

1. Provide direction for conducting the FIAR Plan Discovery and Correction phase, implementation of OMB Circular A-123, Appendix A, within DoD, and working to achieve FFMIA compliance concurrently with efforts to achieve auditability.

2. Provide direction for development and preparation of segment management assertion packages and for the conduct of independent segment validations that will eventually be replaced by audits performed in accordance with GAO and OMB guidance.

3. Contain the following information:

a. Definition and Documentation. Include requirements for documenting each Reporting Entity target IFMS.

b. Evaluation requirements for Reporting Entity target IFMS. In addition to the segments directed for inclusion in the FIAR Plan, each Reporting Entity shall identify other significant segments and the elements of the segments that are significant to their financial management and reporting and include evaluation and corrective action plans in their FIPs. The GAO/President's Council on Integrity and Efficiency (PCIE) Financial Audit Manual, Section 240 provides guidance on how to identify significant elements of the target IFMS.

c. Test and Assess Compliance of Material/Significant Segments. The entity Head shall use procedures as described in the FIAR Plan guidance and the GAO/PCIE Financial Audit Manual to assess the compliance of each segment with FFMIA requirements before submitting a Management Assertion that audit readiness was achieved for that segment. Refer to the OMB FFMIA Implementation guidance for indicators of FFMIA compliance.

d. Test and Assess Compliance of Material/Significant Segment Components. Since entire segments may not reach their target state for some time, it may be advantageous for an entity to test and assess individual components of the target segment before the entire target segment is in place. The entity Head shall use guidance and procedures as described in the FIAR Plan and the GAO/PCIE Financial Audit Manual, to assess the compliance of selected process segment components with FFMIA requirements.

e. Reporting Entity Test and Assessment Submissions. Each Reporting Entity should document the procedures used to select the FFMIA requirements applicable to a given segment and exercise care to ensure that there are no gaps of requirements within a segment. At a minimum, entities must test and evaluate the following before submitting a full segment compliance assessment.

(1). Software Acquisitions. Before Acquisition Milestone A, as defined by DoD Instruction 5000.2, *“Operation of the Defense Acquisition System,”* software requirements should be evaluated to ensure that they include the FFMIA requirements for the process segments the software will support. Financial Management software acquisitions that have been designated as a Major Automated Information System (MAIS) by the Acquisition Executive must be tested and evaluated for compliance with FFMIA requirements after development and before Acquisition Milestone C.

(2). Processes, Procedures, Controls, and Data Standards. Significant target processes, procedures, controls, and data standards already in existence should be tested and evaluated to ensure they are operating effectively and as designed. This should be scheduled in accordance with the segment plan in the Reporting Entity FIP and FIAR Plan.

(3). Existing Software. Significant existing software components of the target FMS should be evaluated for FFMIA requirement compliance. This should be scheduled in accordance with the segment plan in the Reporting Entity’s FIP and FIAR Plan. This applies to both core financial systems and mixed systems.

(4). Third-Party Software Provided as a Service. Entities may rely on FFMIA requirement testing performed by other entities provided that an assessment of the testing scope indicates that all requirements fulfilled by the software for the entity were tested in the previous test. The Reporting Entity remains responsible to ensure that third-party software meets applicable requirements. Upon determining that any third-party software is a significant component of the Reporting Entity’s target IFMS, the Reporting Entity shall coordinate with the service provider to conduct appropriate testing of the software.

C. Maintaining Compliance. The FIAR Plan guidance shall prescribe and define mandatory practices for maintaining auditability subsequent to assertion and validation. These same practices shall be applied to maintain compliance with FFMIA requirements.

**\*0304 DEFINITIONS****030401. Integrated Financial Management System (IFMS)**

The IFMS is a unified set of financial systems and the financial portions of mixed systems encompassing the software, hardware, personnel, processes (manual and automated), procedures, controls, and data necessary to carry out financial management functions, manage financial operations of the agency and report on the agency's financial status to central agencies, Congress and the public. Unified means that the systems are planned for and managed together, operated in an integrated fashion, and linked together electronically in an efficient and effective manner to provide agency-wide financial system support necessary to carry out the agency's mission and support the agency's financial management needs. The IFMS has the following characteristics:

- A. Common Data Elements.
- B. Common Transaction Processing.
- C. Consistent Internal Controls.
- D. Efficient Transaction Entry.

**030402. Information Systems**

Information systems is defined as the organized collection, processing, transmission, and dissemination of information in accordance with defined procedures, whether automated or manual. Information systems include non-financial, financial, and mixed systems.

**030403. Financial Systems**

A. Financial systems are considered an information system comprised of one or more applications that is used for any of the following:

- 1. Collecting, processing, maintaining, transmitting, and reporting data about financial events.
- 2. Supporting financial planning or budgeting activities.
- 3. Accumulating, recognizing, and distributing cost management information.
- 4. Supporting the preparation of financial statements.

B. Features of a financial system include but are not limited to the following elements:

1. Supports the financial functions required to track financial events, provide financial information significant to the financial management of the agency, and/or required for the preparation of financial statements.

2. Encompasses automated and manual processes, procedures, controls, data, hardware, software, and support personnel dedicated to the operation and maintenance of system functions.

3. May include multiple applications that are integrated through a common database or are electronically interfaced, as necessary, to meet defined data and processing requirements.

030404. Non-Financial Systems

An information system that supports non-financial functions of the Federal Government or components thereof and any financial data included in the system are insignificant to agency financial management and/or not required for the preparation of financial statements.

030405. Mixed System

An information system that supports both financial and non-financial functions of the Federal government or components thereof. These are also commonly referred to in DoD as Financial Feeder Systems or Secondary Financial Systems. Financial feeder systems are information systems that support functions with both financial and non-financial aspects, such as logistics, acquisition, and personnel. They provide key information required in financial processes.

030406. Financial Management System

The financial systems and the financial portions of mixed systems necessary to support financial management.

030407. Federal Accounting Standards

The Federal Accounting Standards are applicable accounting principles, standards, and requirements consistent with US Code Title 31, Subtitle III, Chapter 35, Subchapter II, Section 3511. The Federal Accounting Standard Advisory Board (FASAB) publishes Statements of Federal Financial Accounting Concepts (SFFAC) and Statements of Federal Financial Accounting Standards (SFFAS), as well as Interpretations, Technical Bulletins, and staff guidance.

## 030408. Financial Event

Any occurrence having financial consequences to the Federal government related to the receipt of appropriations or other financial resources; acquisition of goods or services; payments or collections; recognition of guarantees, benefits to be provided, or other potential liabilities; or other reportable financial activities.

## \*0305 RESPONSIBILITIES

## 030501. Overview

This section provides the responsibilities of the various DoD entities associated with the governance and execution of this policy. As such, the responsibilities are limited to those specific to the governance and execution of this policy, and are not meant to be an exhaustive list of all of the responsibilities of these entities.

## 030502. Governance

Governance includes the authorities, framework, and processes the DoD employs to monitor, analyze, validate, integrate, and control FFMIA compliance priorities and requirements through the following DoD organizations:

A. OUSD(C) has overall responsibility for the Department's IFMS and provides oversight and direction for the financial improvement and audit readiness initiatives, and is supported by the Business Integration Office (BIO), the FIAR Director, and the Financial Management Investment Review Board (FMIRB).

B. OUSD(C) BIO Directorate supports the OUSD(C) in carrying out its responsibilities for financial improvement, audit readiness and achieving compliance with FFMIA. As the primary oversight body for FFMIA, OUSD(C)/BIO has the following responsibilities:

1. Issue and update FFMIA compliance policy.
2. Monitor, analyze, and measure progress of DoD Reporting Entities in achieving compliance with FFMIA.
3. Report to OMB and Congress, as required by FFMIA
4. Produce, update, and maintain the FIAR Plan to include integrating with the Enterprise Transition Plan (ETP).
5. Ensure DoD Reporting Entity target IFMS FFMIA compliance plans are in alignment with systems and financial statement audit plans and Component FIP, as applicable.

6. Ensure the detailed requirements of the FFMIA are maintained in the Business Enterprise Architecture (BEA).

C. OUSDC, FIAR Directorate is responsible for:

1. Publishing, and updating on an annual basis the FIAR guidance, as required by this policy.

2. Coordinate and integrate testing and remediation plans into the DoD FIAR Plan Tool.

3. Monitor and analyze progress of entity testing and remediation plans.

4. Monitor, analyze, and document entity FFMIA assertions made in accordance with this policy.

5. Define practices for maintaining auditability subsequent to FFMIA assertion and validation.

D. FMIRB is responsible for:

1. Reviewing and monitoring business system and initiative investment programs for compliance with this policy.

2. Approving investments based on compliance with this policy.

030503. Execution

Execution involves the activities, resources, and leadership required to implement the requirements of this policy.

A. DoD Components and reporting entities are responsible for developing and executing plans necessary for achieving compliance with FFMIA. These responsibilities include:

1. Develop, maintain, and execute FIPs that also serve as their FFMIA compliance remediation plan in accordance with the FIAR Guidance.

2. Integrate their FIP and FFMIA compliance plans for conducting FFMIA evaluations with the FIAR Plan in accordance with the FIAR Guidance.

3. Develop and maintain the portfolio of financial and mixed systems that comprise the entity's target IFMS.

4. Establish and maintain centralized oversight of the portfolio of systems comprising the entity's target IFMS. This includes development of 5 year plans in accordance with OMB Circular A-130, "Management of Federal Information Resources."

5. Ensure system portfolio and remediation plans are consistent with modernization priorities identified in the DoD ETP.

6. Ensure system portfolio is consistent with the systems reported in the DITPR.

7. Test MAIS financial systems before implementation to ensure that they properly function within the target IFMS, leveraging existing Systems Development Life-Cycle activities where appropriate.

8. Conduct FFMIA certification testing using the GAO/PCIE FAM and FIAR Plan guidance, leveraging existing Systems Development Life-Cycle activities where appropriate.

9. Address FFMIA compliance status and remediation plan in annual Statement of Assurance beginning in fiscal year 2010.

10. Ensure that annual updates to the ETP are in alignment with the FIAR Plan.

B. Defense Finance and Accounting Service (DFAS). The DFAS has the following responsibilities related to FFMIA:

1. Developing and maintaining a DFAS system FFMIA compliance remediation plan that is in synch with Component needs. For each financial and mixed system managed by DFAS, this includes:

a. Establishment of a Memorandum of Agreement (MOA) with each DoD Reporting Entity supported by each DFAS system.

b. Conducting compliance testing, as required per MOA, when a system(s) is a significant part of a Reporting Entity's IFMS.

c. Supporting Reporting Entity end-to-end business process testing (per MOA).

2. Maintaining, in coordination with the OUSD(C) and Business Transformation Agency, the FFMIA requirements in the Business Enterprise Architecture (BEA).

C. Business Transformation Agency (BTA). The BTA has the following responsibilities related to FFMIA:

1. Ensuring that annual updates to the DoD ETP are in alignment with the FIAR Plan.
2. Updating FFMIA requirements provided by DFAS in the BEA and provides user-friendly access to the requirements to the Reporting Entities.
3. Developing and maintaining a BTA Enterprise System FFMIA compliance remediation plan that is in synch with Component needs. For each Enterprise financial and mixed system managed by BTA, this includes:
  - a. Establishing an MOA with each DoD Reporting Entity supported by each BTA Enterprise system.
  - b. Conducting compliance testing, as required per MOA, when a system(s) is a material part of a Reporting Entity's FMS.
  - c. Supporting Reporting Entity end-to-end business process testing (per MOA).

D. DoD Inspector General (DoDIG). The DoDIG is responsible for:

1. Performing system audits (e.g., general and application control and FFMIA) based on Reporting Entity FIPs and the FIAR Plan.
2. Performing FFMIA compliance evaluations as part of financial statement audits and/or oversee evaluations performed by IPAs during financial statement audits. This includes identifying in writing the nature and extent of non-compliance when appropriate.

E. Defense Information Systems Agency (DISA). The DISA is responsible for evaluating FFMIA requirements related to information technology controls and security for significant financial management systems administered by DISA.



**VOLUME 1, CHAPTER 4: “STANDARD FINANCIAL INFORMATION  
STRUCTURE (SFIS)”****SUMMARY OF MAJOR CHANGES**

All changes are denoted by **blue font**.

Substantive revisions are denoted by an \* symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue and underlined font**.

The previous version dated September 2008 is archived.

<b>PARAGRAPH</b>	<b>EXPLANATION OF CHANGE/REVISION</b>	<b>PURPOSE</b>
Various	Updated hyperlinks to include the link to the Compliance Checklist for the Standard Financial Information Structure (SFIS).	Update
0406	Generalized Office of the Under Secretary of Defense (Comptroller) roles and responsibilities.	Update
0407	Deleted the Demand Unique Identifier (DUID) data element and the associated business rules from the Checklist for the SFIS. The DUID concept is being replaced by the Financial Data In Procurement (FDIP) initiative based upon policy in the Office of the Under Secretary of Defense memorandum of March 18, 2009, titled “Linking Financial Data to Contract Documents”.	Update
0408	Updated information included on the SFIS Resource Page.	Update

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## CHAPTER 4

**STANDARD FINANCIAL INFORMATION STRUCTURE**

## 0401 PURPOSE

This chapter prescribes the requirements of the [\*Standard Financial Information Structure \(SFIS\)\*](#) as a common business language that enables budgeting, performance-based management, and the generation of financial statements. The SFIS is a comprehensive data structure that supports requirements for budgeting, financial accounting, cost/performance, and external reporting needs across the Department of Defense (DoD) enterprise.

The SFIS standardizes financial reporting across the DoD and allows revenues and expenses to be reported by programs that align with major goals, rather than basing reporting primarily on appropriation categories. It also enables decision-makers to efficiently compare programs and their associated activities and costs across DoD and provides a basis for common valuation of DoD programs, assets, and liabilities.

The initial development phase (Phase I) identified and defined data elements needed to support the generation of financial statements and external reporting. SFIS Phases II and III address enterprise-wide code accounting requirements to provide the DoD with a better valuation of the total cost of business.

## 0402 AUTHORITATIVE GUIDANCE

## 040201. Statutory

A. [\*Section 2222\(d\)\(1\) of Title 10, United States Code \(U.S.C.\)\*](#), requires that the DoD [\*Business Enterprise Architecture \(BEA\)\*](#) include an information infrastructure that, at a minimum, would enable the DoD to:

1. Comply with all Federal accounting, financial management, and reporting requirements;
2. Routinely produce timely, accurate, and reliable financial management information;
3. Integrate budget, accounting, and program information and systems; and
4. Provide for the systematic measurement of performance to include the ability to produce timely, relevant, and reliable cost information.

B. [\*Section 2222\(d\)\(2\) of Title 10, U.S.C.\*](#), requires establishment of policies, procedures, data standards, and system interface requirements that are to apply uniformly throughout the DoD.

C. Section 902a.3 of the [Chief Financial Officers Act](#) requires an agency to develop and maintain an integrated agency accounting and financial management system, including financial reporting and internal controls, which:

1. Complies with applicable accounting principles standards and requirements, and internal control standards;
2. Complies with such policies and requirements as may be prescribed by the Director of the Office of Management and Budget;
3. Complies with any other requirements applicable to such systems; and
4. Provides for:
  - a. Complete, reliable, consistent, and timely information which is prepared on a uniform basis and which is responsive to the financial information needs of agency management;
  - b. Development and reporting of cost information;
  - c. The integration of accounting and budgeting information; and
  - d. Systematic measurement of performance.

D. The [Federal Financial Management Improvement Act of 1996](#) requires agencies to incorporate accounting standards and reporting objectives established for the Federal Government into their financial management systems so that all the assets and liabilities, revenues, expenditures or expenses, and the full costs of programs and activities of the Federal Government can be consistently and accurately recorded, monitored, and uniformly reported throughout the Federal Government.

E. The [Government Performance and Results Act of 1993](#) requires annual performance reporting that links performance planned to performance achieved.

040202. Office of Management and Budget (OMB)

A. The [OMB Circular No. A-127](#) requires agencies' financial management systems to reflect an agency-wide financial information classification structure that is consistent with the United States Standard General Ledger (USSGL).

B. The [OMB, Office of Federal Financial Management](#) requires, within each department or agency, accounting classification elements and definitions to be standardized to ensure uniform and efficient accounting treatment, classification, and reporting.

## 0403 DEFINITIONS

## 040301. Standard Data

Standard data relates to information that is transmitted, processed, maintained, and/or accessed in a standard format. It is a structured communication medium that is to be exchanged between and within entities and other groups for business transactions. The standards describe structures that emulate documents. For example, purchase orders to automate purchasing. The standard data is also used to refer to the implementation and operation of systems and processes for creating, transmitting, and receiving information. It simplifies the aggregation of data, limiting crosswalks and mapping procedures.

## 040302. Business Enterprise Architecture

The Business Enterprise Architecture (BEA):

- A. Is the enterprise architecture for the DoD Business Mission Area.
- B. Defines the DoD business transformation priorities, the business capabilities required to support those priorities, and the combinations of enterprise systems and initiatives that enable those capabilities.
- C. Uses a set of integrated DoD Architecture Framework (DoDAF) products, to include All View (AV), Operational View (OV), Systems and Services View (SV), and Technical Standards View (TV) products to develop its overall structure/framework.
- D. Includes activities, processes, data, information exchanges, business rules, system functions, system data exchanges, terms, and linkages to laws, regulations, and policies.

## 0404 APPLICABILITY AND SCOPE

The SFIS is required for all target systems and legacy business feeder systems that will interface with a target system, as identified in the [Enterprise Transition Plan \(ETP\)](#) that support financial transactions.

The SFIS provides an enterprise-wide standard for categorizing financial information along several dimensions to support financial management and financial reporting functions; enable decision makers to efficiently compare similar programs and activities across DoD; and provide a level of detail required for information retrieval and auditability.

## 0405 SFIS RELATIONSHIPS

The SFIS contains a USSGL transaction library. For additional information on the SFIS relationship to the USSGL refer to Volume 1, Chapter 7, paragraph 070405.

The SFIS is the BEA financial data standard and is integrated into the BEA. SFIS changes will be updated with subsequent BEA releases.

#### \*0406 ROLES AND RESPONSIBILITIES

##### 040601. Office of the Under Secretary of Defense (Comptroller)

A. Serves in a leadership role relative to facilitating and providing oversight for the development of DoD-Wide enterprise business and financial systems to include process solutions supporting the implementation of the SFIS.

B. Serves as primary member of the SFIS Governance Board, is responsible for providing stewardship for SFIS financial data elements, and serves as a primary representative on the Defense Business System Management Committee (DBSMC) and Investment Review Boards (IRB) (reference paragraph 040605).

C. Provides business and financial system insight on all issues presented at committee/board meetings and serves as the primary office of responsibility for actions stemming from the DBSMC and the IRB.

##### 040602. The Business Transformation Agency (BTA)

The BTA facilitates the governance of the SFIS Board, but is not a voting member. The mission of the BTA is to guide the transformation of business operations throughout DoD and to deliver Enterprise-level capabilities that align to warfighter needs. Primarily, the BTA is responsible for developing the BEA (reference paragraph 040302) and ensuring that decisions made by the SFIS Governance Board are reflected in the BEA.

##### 040603. The SFIS Governance Board

The SFIS Governance Board is a cross-agency, functional working group responsible for approving all changes to the SFIS. All changes must be vetted with the board before the SFIS can be updated. Voting members of the SFIS Governance Board include but are not limited to the following Defense Components:

##### A. Office of the Under Secretary of Defense (OUSD):

1. Comptroller, Program/Budget
2. Comptroller, Deputy Chief Financial Officer
3. Acquisition, Technology, and Logistics (AT&L), Installations and Environments
4. AT&L, Materiel Readiness and Maintenance Policy

5. AT&L, Resources and Analysis
  6. Directorate for Program Analysis and Evaluation
  7. Directorate for Personnel and Readiness (P&R)
- B. Other Defense Organizations (ODOs):
1. Defense Finance and Accounting Service
  2. Defense Logistics Agency
  3. Missile Defense Agency
- C. Military Departments (MILDEPs):
1. The Department of the Army
  2. The Department of the Navy
  3. United States Marine Corps
  4. The Department of the Air Force
- D. Special Operations Command (SOCOM)

040604. DoD Components

The Military Departments and the Defense Agencies are responsible for implementing SFIS for all applicable target systems, asserting compliance with SFIS by using the Compliance Checklist for SFIS and maintaining their systems consistent with SFIS requirements.

040605. Investment Review Process

A. The DoD has implemented a business systems investment review process (referred to as the IRB process) led by the Deputy Secretary of Defense. The Deputy Secretary of Defense chairs the Defense Business Systems Management Committee (DBSMC), established pursuant to [section 186 of Title 10, U.S.C.](#), with membership consisting of the Under Secretary of Defense (USD) for AT&L, USD for P&R, USD (Comptroller) (USD(C)), Assistant Secretary of Defense (ASD) for Networks and Information Integration (NII), Secretaries of the Military Departments, and the heads of the Defense Agencies under [section 2222 of Title 10, U.S.C.](#).

B. Investment Review Boards have been established under the responsibility of USD(AT&L), USD(P&R), USD(C), and ASD(NII), who exercise investment responsibility under [section 2222\(f\) of Title 10, U.S.C.](#) A primary goal of the IRB process is to facilitate development and implementation of integrated [business systems](#) across DoD business functions

and capabilities [to](#) provide a framework for effective investment decision-making, thereby, enabling the DoD's senior leadership to guide investments to maximize the impact to the warfighter. Ultimately, through effective application of the IRB process, the IRBs operate to define and levy SFIS conditions.

#### **\*0407 INVESTMENT REVIEW BOARD SFIS REQUIREMENTS**

##### **040701. SFIS Compliance**

The FM IRB requires:

A. All systems receiving either a Target Accounting or Target Business Feeder System complete a Compliance Checklist for SFIS and obtain approval for systems implementation from the BTA.

B. The Compliance Checklist for SFIS is to be completed in accordance with the comprehensive instructions detailed within the Compliance Checklist for SFIS under the section titled *How to Use this Checklist*.

##### **040702. SFIS Implementation Plan**

A. A system Implementation Plan must be submitted for all system development initiatives (in addition to the Compliance Checklist for SFIS that is consistent with the ETP).

B. The extent of the Implementation Plan varies with the SFIS condition levied on the system by the IRB. Once a system comes through one of the IRBs, it will be notified of the condition and what is required as a response. The response must be complete and all dates must be provided in Month/Year format for the condition to be considered closed.

#### **\*0408 SFIS RESOURCE PAGE**

The [SFIS](#) resource page displays [the following](#) SFIS tools for use by system implementers and users.

A. Matrix (SFIS data elements, definitions, examples, business rules, syntaxes, primary stewards, authoritative sources, required reports, and Extensible Markup Language Schemas);

B. [Compliance Checklist](#);

C. [USSGL Transaction Library and Case Studies](#);

D. Values Library [Services](#);

E. [Chart of Accounts Implementation Guidance](#);



- F. Implementation Master Schedule;
- G. Enterprise Resource Planning (ERP) Standard Configurations;
- H. Online Tutorial; and
- I. Frequently asked Questions.

**VOLUME 1, CHAPTER 6: “UNDER SECRETARY OF DEFENSE (COMPTROLLER)  
FINANCIAL MANAGEMENT AWARDS PROGRAM”**

**SUMMARY OF MAJOR CHANGES**

All changes are denoted by **blue font**.

Substantive revisions are denoted by an \* symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue and underlined font**.

The previous version dated November 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
060201	Applicability and Scope B. - word additions	Update
060202	Award categories – Name change to (C)	Update
060202	Award categories – add “or” (D)	Update
060203	Award Levels – Number of awards changed	Update
060203	Award Levels – Number of awards/Para Id changed	Update
060203	Award Levels – Number of awards/Para Id changed	Update
060203	Award Levels – Number of awards/Para Id changed	Update
060203	Award Levels – Added E. to identify merged category	Update
060401	Award Criteria – redefined criteria	Update
Fig 1-1 orm – Category	Nomination Form – Category word addition/deletion	Update
Fig 2-1	Nomination Form – Category word addition/deletion	Update

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## CHAPTER 6

**UNDER SECRETARY OF DEFENSE (COMPTROLLER) FINANCIAL  
MANAGEMENT AWARDS PROGRAM**

## 0601 PURPOSE

The purpose of the Under Secretary of Defense (Comptroller) (USD(C)) Financial Management Awards Program is to recognize significant contributions of individuals or teams to financial management improvement.

## 0602 APPLICABILITY AND SCOPE

The Program applies to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Office of the Inspector General of the Department of Defense (DoD), the Defense Agencies, and the DoD Field Activities, and all other organizational entities within the DoD (hereafter referred to collectively as “the DoD Components”).

060201. It is DoD policy that:

A. Military and civilian members who make outstanding contributions to the improvement of DoD financial management should be recognized.

B. Recognition, in the form of an engraved plaque and certificate, shall be presented to, and retained by, the individual and team deemed to have achieved the most outstanding contribution(s) to the **improvements** of financial management internal controls, **improvements in** budget formulation and execution, **innovations in** financial management (**excluding budget**), or **innovations in** financial management processing in combat zones, during the preceding calendar year.

060202. Award Categories.

The following (A through D, below) are the four award categories in the USD(C) Financial Management Awards Program.

A. **Improvements to Financial Management Internal Controls.** This category recognizes one individual and one team who have made significant achievements to improve financial management internal controls. Good internal controls help the Department effectively achieve its objectives by ensuring (1) obligations and costs comply with applicable law; (2) funds, property, and other assets are not wasted, lost, misused, or misappropriated; and (3) revenues and expenditures are properly recorded and allow for preparation of reliable financial reports. Examples of appropriate efforts to improve internal controls include:

1. Resolving systemic weaknesses in financial management internal controls.
2. Improving techniques used to discover weaknesses in the current financial environment.
3. Executing action plans to correct internal controls deficiencies that are consistent with laws, regulations, and administrative policy.
4. Ensuring effective controls are sustainable.
5. Achieving audit readiness for an end-to-end business process.
6. Providing documented quantitative and qualitative measures of improvement (e.g., return on investment, cost savings, and cost avoidance).
7. Ensuring that adequate determination (validation or metric) is made prior to reporting a material weakness as resolved.

B. Improvements in Budget Formulation and Execution. This category recognizes one individual and one team who make significant contributions in improving the budget build process and execution of DoD funds. Improved execution of budgets serves to minimize Anti-Deficiency Act violations and ensure protection of Departmental assets. Improvements can be in budgeting, accounting, financial analysis, auditing, and other fields related to execution. Examples of appropriate efforts include:

1. Identifying and correcting deficiencies in administrative control of funds.
2. Reducing problem disbursements.
3. Reducing aged accounts receivable and payable.
4. Prompt recording of commitments and obligations.
5. Improving funds control.
6. Training to improve knowledge of performance in budget execution.
7. Refinement of metrics used to determine funding impacts on program performance.
8. IT System improvements that support reliable cost projections for building budgets.

C. Innovations to Financial Management (excluding Budget). This category recognizes one individual and one team who make significant contributions to modernize and improve financial management processes in financial management areas to include accounting, cost, audit, workforce development, and training and education. Examples of appropriate efforts include:

1. Documenting an existing process to determine how the process can be improved.
2. Changing a process or steps of a process from a manual to an automated operation by using technology as an enabler, such as: (a) using electronic commerce/electronic data, or (b) developing and implementing electronic interfaces between systems to reduce manual entry of data.
3. Improving a process using “Lean Six Sigma.”
4. Reengineering a process to make the process better, faster, and/or cheaper.
5. Eliminating processes that do not add value.
6. Developing and reengineering a process or processes to implement an enterprise resources planning system.

D. Innovations in Financial Management Processing in a Combat Zone. This category recognizes one individual or one team who makes significant contributions to improve financial management processing while deployed to a combat zone. Examples of appropriate efforts include:

1. Recommending improvements to an existing process that facilitate expenditure and tracking of funds in a combat zone.
2. Changing a process or steps of a process that results in greater transparency of funds provided directly to foreign nationals (e.g., pay, reconstruction funds, etc.).
3. Implementing controls that improve auditability of funds managed in the theater.

060203. Award Levels

Thirteen separate awards can be awarded in the following categories:

A. Individual Nominee, Headquarters and Major Command Level: One individual from a Headquarters and Major Command element of an organization will receive an award in each of the three award categories defined in paragraphs 060202 A through C above. Headquarters level is defined as the Headquarters of a Military Service or a Defense Agency.

Major Command level is defined as the highest level of command below the Headquarters level, within the Military Service. Contractors cannot be nominated for individual awards.

B. Team Nominee, Headquarters and Major Command Level: Two or more individuals working together as part of a team from a Headquarters and Major Command element of an organization will receive an award in each of the [three](#) award categories defined in paragraphs 060202 A through [C](#) above. Headquarters level is defined as the Headquarters of a Military Service or a Defense Agency. Major Command level is defined as the highest level of command below the Headquarters level, within the Military Service. See paragraph 060205 for Team Criteria and inclusion of contractors in award nominations.

C. Individual Nominee, Below Headquarters and Major Command Level: One individual from Below Headquarters and Major Command element of an organization will receive an award in each of the [three](#) award categories defined in paragraphs 060202 A through [C](#) above. Organizations that do not fall into the Headquarters and Major Command category should be included in this category. Contractors cannot be nominated for individual awards.

D. Team Nominee, Below Headquarters and Major Command Level: Two or more individuals working together as part of a team from Below Headquarters and Major Command element of an organization will receive an award in each of the [three](#) award categories defined in paragraphs 060202 A through [C](#) above. Organizations that do not fall into the Headquarters and Major Command category should be included in this category.

E. [There will be one award \(individual or team\) in the award category defined in paragraph 060202 D. Nominee can come from either Headquarters and Major Command or Below Headquarters and Major Command.](#)

#### 060204. Eligibility

Any military member or civilian employee of the DoD (to include Reserve Components) is eligible for nomination. General/Flag Officers, Senior Executive Service, and contractors cannot be nominated for individual awards. However, they can be part of a team award.

#### 060205. Team Criteria

For purposes of these awards, a team is considered as a group of individuals, made up of 2 to 20 individuals, brought together to perform a specific task within a specific time frame. Teams of greater than 20 individuals are not eligible for these awards. Contractors cannot comprise more than 20 percent of the team. Contractors cannot use these awards as support for performance clauses in contracts.

## 0603 RESPONSIBILITIES

## 060301. The USD(C):

Will select awards recipients for each award category and present awards to each recipient in an annual ceremony.

## 060302. The OUSD (Comptroller)'s Human Capital Resource Management Directorate (HCRM) annually:

Will convene a Financial Management Awards Program Board to receive nominations from the DoD Components and to make award recommendations to the USD(C).

## 060303. The Financial Management Awards Program Board shall:

A. Be comprised of the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) Director, Human Capital and Resource Management, or designee, (Chair) with voting representatives from each of the Military Departments, the Defense Finance and Accounting Service (DFAS), and one from the Defense-wide community--which encompasses all other Defense Agencies and DoD Field Activities. Board nominees should be members of the Senior Executive Service, or general/flag officers, and should not have been nominators for any of the award nominations to be considered.

B. Convene annually to evaluate nominations and make recommendations for winners in each award category.

C. Recommend award winners for each award category based on the criteria in paragraph 060401.

## 060304. Heads of the Military Departments and the DFAS:

Each shall select a representative to the Financial Management Awards Program Board and notify the Director, HCRM by the first week in March, each year, of the representative selected from their Component. The Director, HCRM, shall appoint a representative of the Defense Agencies and DoD Field Activities (other than the DFAS) from among nominees submitted.

## 060305. Heads of DoD Components:

Each year shall nominate individuals for the Financial Management Awards in accordance with the procedures and criteria in section 0604.



060306. Heads of DoD Components are responsible for:

Vetting the nominations prior to submission to the Director, HCRM. Nominations should be examined for duplications, incomplete submission, and noncompliance with instructions.

#### 0604 DOD FINANCIAL MANAGEMENT AWARD CRITERIA AND PROCEDURES

The procedures and criteria for the DoD Financial Management Award are:

##### 060401. Award Criteria

Nominations for DoD Financial Management Awards shall be based on individual or team achievements during the preceding calendar year and evaluated using the following criteria:

- A. Scope and Significance  
For example:
  - a. Cost/People savings/avoidances
  - b. Magnitude of Impact
- B. Improving and standardizing policies, procedures, and systems
- C. Enhancements of audit readiness.

##### 060402. Nomination Format

Follow Figures 1-1 and 2-1 for individual and team nominations, respectively.

A. The first section includes the calendar year of the accomplishment, award category, nominee(s) data, and nominating official data.

B. The second section includes the nominee or team name, a brief description of the problem, project, or effort; a summary of the actions and activities performed by the individual to warrant consideration for a Financial Management Award; and a summary of the benefits or results realized by the nominee's or team's effort.

C. Nominations should be written to a broad and diversified audience. Limit the use of acronyms and excessive superlatives. Nominations should be written in a clear and concise manner.

##### 060403. Submission of Nominations

Heads of DoD Components must submit nominations to the OUSD(C)'s HCRM Directorate online via the OUSD(C) annual awards nomination program at <https://fmonline.ousdc.osd.mil/FMAwards/>. Specific details will be provided in USD(C) memorandum announcing the annual awards. Also, nominations must be received by the date designated in the memorandum that is sent to the Components.

**0605 AWARD DESCRIPTION (PLAQUES AND CERTIFICATES)**

060501. For an individual award

The award recipient shall receive an engraved plaque and a certificate signed by the USD(C).

060502. For a team award

The team shall receive a single engraved plaque and each team member shall receive a certificate signed by the USD(C).

\*Figure 1-1: Nomination Form for Individual Awards

<b>UNDER SECRETARY OF DEFENSE (COMPTROLLER)</b>				
<b>FINANCIAL MANAGEMENT AWARDS PROGRAM</b>				
Nomination Form for <b>INDIVIDUAL</b> Awards				
Calendar Year _____ Component/Organization _____				
<hr/>				
<b>Award Category:</b>	<input type="checkbox"/>	<b>Improvements to Financial Management Internal Controls</b>		
	<input type="checkbox"/>	<b>Improvements in Budget Formulation and Execution</b>		
	<input type="checkbox"/>	<b>Innovations in Financial Management (excluding Budget)</b>		
	<input type="checkbox"/>	<b>Innovations in Financial Management in a Combat Zone</b>		
<b>Level:</b> <input type="checkbox"/> <b>Headquarters and Major Command</b> <input type="checkbox"/> <b>Below Major Command</b>				
<b>Individual Nominee Data (contractors are not eligible for individual awards):</b>				
Rank/Grade/Name: _____				
	Rank/Grade	First	MI	Last
Duty Title: _____		E-mail: _____		
Office Mailing Address: _____				
(Include office symbol and location)				
Commercial Phone Number: _____				
<b>Nominating Official Data:</b>				
Rank/Grade/Name: _____				
	Rank/Grade	First	MI	Last
Duty Title: _____		E-mail: _____		
Office Mailing Address: _____				
(Include office symbol and location)				
Commercial Phone Number: _____				

\*Figure 1-2: Nomination Form for Individual Awards (cont'd)

**UNDER SECRETARY OF DEFENSE (COMPTROLLER)  
FINANCIAL MANAGEMENT AWARDS PROGRAM**

**Nomination Form for INDIVIDUAL Awards**

**A. Nominee's Name & Component/Organization:** \_\_\_\_\_

**B. Name of Problem/Project/Effort:**

\_\_\_\_\_  
(Please limit to 60 characters)

**C. Describe the PROBLEM/PROJECT/EFFORT** (summarize the project in 2-3 sentences):

**D. Summarize the ACTIONS and activities of the individual that warrant an award** (what did the individual do to earn this award; what analytics were involved; please use bullets and concrete examples):

**E. Summarize the RESULTS** (what benefits or results were realized, why or how did these benefits significantly improve financial management; please be specific in terms of cost or time savings; please use bullets and concrete examples):

(Limited to one page; please use 12 pitch font)



\*Figure 2-2: Nomination Form for Team Awards (cont'd)

**UNDER SECRETARY OF DEFENSE  
(COMPTROLLER) FINANCIAL MANAGEMENT  
AWARDS PROGRAM Nomination Form for TEAM  
Awards**

**E. Team Name & Component/Organization:** \_\_\_\_\_

**F. Name of Problem/Project/Effort:**

\_\_\_\_\_  
(Please limit to 60 characters)

**G. Describe the PROBLEM/PROJECT/EFFORT** (summarize the project in 2-3 sentences):

**H. Summarize the ACTIONS and activities of the team that warrant an award** (what did the team do to earn this award; what analytics were involved; please use bullets and concrete examples):

**E. Summarize the RESULTS** (what benefits or results were realized, why or how did these benefits significantly improve financial management; please be specific in terms of cost or time savings; please use bullets and concrete examples):

(Limited to one page; please use 12 pitch font)

## VOLUME 1, CHAPTER 7: “UNITED STATES STANDARD GENERAL LEDGER (USSGL)”

### SUMMARY OF MAJOR CHANGES

All changes are denoted by [blue font](#).

Substantive revisions are denoted by an \* symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by [bold, italic, blue and underlined font](#).

The previous version dated June 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Various	Updated hyperlinks.	Update
070201 0708	Incorporated section 0708 of previous version into paragraph 070201. Clarified that the United States Treasury has responsibility for maintaining the United States Standard General Ledger (USSGL).	Update
070202	Added definition of summary account.	Add
070203	Clarified the USSGL Standard Financial Information Structure (SFIS) Transaction Library are accounting transactions for DoD. Also referenced paragraph 070302 for further details.	Update
070203 070302 070401 070405 070406	The following updates were made to the USSGL SFIS Transaction Library:  Updated DoD Descriptions and/or Accounting Entries for DoD Transaction Codes (DTC) A179-001, A446-006, A446-008, A448-004, C646, D114-262, D114-263, D306-003 to 064, D310-001 to 060, D523-003 to 004, D566-001 to 002 and E112-001 and 003.  Added DTCs B406-009 and B406-094.  Deleted DTCs D306-061, D306-062, D310-057, D310-058, and E606-024 and Library Business Rule 10.	Update
070302	Identified DoD specific transactions codes in the USSGL SFIS Transaction Library.	Add

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
070401	Provided a link to Federal Financial Management Improvement Act of 1996 Compliance, Evaluation, and Reporting chapter for further system requirements.	Add
070406	Paragraph 070406 of previous version was combined with paragraph 070405 of current version. Paragraph 070407 of previous version is paragraph 070406 of current version.	Update
070703 070704 070705	Clarified proprietary accounting entries.	Update
Figure 7-1	Added a step for undelivered orders – obligations unpaid.	Add
Figure 7-2	Incorporated Appendices A and B of the previous version into Figure 7-2. Included reference to the SFIS Transaction Library.	Add
Appendix A Appendix B	Incorporated Appendices A and B of the previous version into Figure 7-2.	Delete



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## CHAPTER 7

**UNITED STATES STANDARD GENERAL LEDGER**

## 0701 PURPOSE

This chapter prescribes the requirements of the United States Standard General Ledger (USSGL). The USSGL must be used in all Department of Defense (DoD) accounting systems for all appropriations and funds. Additional information on the USSGL may be obtained from the United States Department of the Treasury (Treasury), Financial Management Service (FMS) [\*USSGL Document Library\*](#) published by the Treasury FMS.

## 0702 GENERAL

## \*070201. Chart of Accounts

The [\*Treasury Financial Manual \(TFM\)\*](#), USSGL Supplement, Section I: Chart of Accounts, along with DoD specified USSGL accounts 4540 through 4580, listed and defined in Figure 7-2, provide the basic structure for the DoD USSGL. The USSGL contains budgetary, proprietary, and memorandum accounts. The budgetary, proprietary, and memorandum sets of general ledger accounts are each self-balancing (the total debits equals the total credits). For accounting related business events, USSGL transactions provide debit and credit entries for budgetary, proprietary, and memorandum accounts. The United States Treasury has responsibility for maintaining the TFM USSGL.

## \*070202. Summary Accounts

Within the DoD, summary accounts are not used to report balances. A summary account is an account that has been subdivided into subsidiary posting accounts. The USSGL no longer uses summary accounts in the USSGL Chart of Accounts. Section headings in the USSGL display only the organization of the account structure but do not constitute summary accounts.

## \*070203. Standard Financial Information Structure

The TFM, USSGL Supplement, Section III: Account Transactions, implements the USSGL at a transaction level. The USSGL [\*Standard Financial Information Structure \(SFIS\) Transaction Library\*](#) is a decomposition of the TFM USSGL accounting transactions for DoD and breaks down the generalized TFM USSGL transaction postings containing multiple debits and credits, into appropriate pairings of debits and credits of budgetary, proprietary, and memorandum accounts into individual DoD Transaction Codes (DTC). (See [paragraph 070302](#) for further details.)

## 0703 DEFINITIONS

## 070301. TFM USSGL Supplement

The [TFM USSGL Supplement](#) contains the following five major sections that together comprise the USSGL: (I) Chart of Accounts, (II) Accounts and Definitions, (III) Account Transactions, (IV) [USSGL Account Attributes for FACTS I and FACTS II Reporting](#), and (V) Crosswalks to Standard External Reports. The USSGL standardizes federal agency accounting and supports the preparation of standard external reports required by the Office of Management and Budget (OMB) and the Department of Treasury (Treasury). The Chart of Accounts identifies and defines budgetary, proprietary, and memorandum accounts to be used in federal agency accounting systems. At a minimum, the USSGL is updated annually and published by Treasury/FMS.

## \*070302. USSGL SFIS Transaction Library

The [USSGL SFIS Transaction Library](#) contains DTCs that delineate the transactions codes in the TFM USSGL Supplement, Section III: [Account Transactions](#). The Library establishes the DoD enterprise-wide requirement for the implementation of the USSGL through detailed transaction postings for budgetary, proprietary, and memorandum accounts. The DTCs specific to DoD are identified in the [USSGL SFIS Transaction Library](#) with a prefix OUSD.

## 0704 APPLICABILITY AND SCOPE

## \*070401. Governance

The USSGL must be used in all DoD accounting systems for all appropriations and funds. The [OMB Circular A-127, Financial Management Systems](#) and the [Federal Financial Management Improvement Act of 1996 \(FFMIA\)](#) require implementation of the USSGL at the transaction level throughout an agency's financial management systems, including both financial and mixed (so-called feeder) system applications. The USSGL applicability does not depend on an application containing a general ledger itself. For example, a payroll system which processes transactions in accordance with USSGL transaction rules sends summarized data to the core financial system for appropriate posting and provides sufficient traceability from the general ledger balances to the source documentation would be considered in compliance with the USSGL at the transaction level. This means that applications are required to process transactions using the USSGL accounts according to the defined uses and posting logic in the [USSGL SFIS Transaction Library](#) and TFM USSGL Supplement, Section III: [Account Transactions](#). Compliance with [OMB Circular A-127](#) and [FFMIA](#) requires data in financial reports to be consistent with the USSGL, transactions to be recorded consistently with USSGL rules, and supporting transaction detail for USSGL accounts to be readily available. See [Chapter 3 for FFMIA compliance, evaluation, and reporting](#).

## 070402. Reporting

The USSGL uses a four-digit account numbering system. Within the DoD, the USSGL shall be implemented to accomplish internal and external reporting needs. For external reporting, all data must summarize to the four-digit USSGL accounts and standard attributes required by Treasury/FMS for Federal Agencies' Centralized Trial-Balance System (FACTS I and II).

## 070403. Structure

The basic four-digit structure of the USSGL consists of:

1000	Assets
2000	Liabilities
3000	Net Position
4000	Budgetary
5000	Revenue and Other Financing Sources
6000	Expenses
7000	Gains/Losses/Miscellaneous Items
8000	Memorandum

## 070404. Account Attributes

Standard USSGL account attributes required for FACTS reporting of proprietary account information (FACTS I) and budgetary account information (FACTS II) are defined in the [TFM USSGL Supplement, Section IV: USSGL Account Attributes](#).

[\\*070405.](#) USSGL SFIS Transaction Library

The [USSGL SFIS Transaction Library](#) provides a DoD accounting framework for existing and emerging financial management systems. The Library uses standard general ledger transactions and posting business rules that support the preparation of external reports required by the OMB and the Treasury. The Library also includes a separate column for each SFIS data element across all DTCs and identifies each individual SFIS element as mandatory, optional, derived, or otherwise not applicable when posting each DoD transaction. The specific values for each SFIS data element are documented on the SFIS Values Library.

[\\*070406.](#) USSGL SFIS Transaction Library Update

The [USSGL SFIS Transaction Library](#) is updated in accordance with the USSGL updates by the Treasury/FMS. However, interim updates may be issued to provide Enterprise Resource Planning (ERP) Systems with accurate and updated DoD general ledger and SFIS guidance at the DTC level.

## 0705 BASIC CONCEPT

## 070501. Recordation

All resources acquired and used [along with](#) valid claims to and against those resources are to be recorded on the basis of financial transactions.

## 070502. Fund Identification

The USSGL shall be used regardless of the sources of funds. Fund identification of financial resources shall be maintained in order to (1) disclose compliance with financial authorizations and (2) prepare reports on the status of appropriations and funds for Congress, OMB, and Treasury. The USSGL account structure is intended to be the basic structure required [for](#) consistent treatment of similar transactions. Not all accounts are needed by all accounting entities.

## 070503. Account Types

A. The USSGL account structure provides a self-balancing set of budgetary accounts to record the appropriation, apportionment, allocation, commitment, obligation, and expenditure process. Proprietary asset and liability accounts cover the collection and disbursement of funds, the proper classification of assets (e.g., receivables, advances and prepayments, inventory and fixed assets), and the recognition and proper classification of liabilities. Revenue and expense accounts measure the realization of revenues from the sale of goods and services, and the recognition of costs through the use and consumption of assets. [Accounting records assist in](#) financial controls over resources [and](#) provide managers with a tool [to](#) effectively [exercise](#) stewardship [over the](#) resources.

B. The USSGL account structure also facilitates the accumulation and recording of expenses by major areas of responsibility or activity. By having a single general ledger, [managers](#) can [ascertain](#) with confidence that the accounting is complete. This will be possible regardless of the appropriation or fund that originally financed the cost and without the need for memorandum accounting records. Consistency in the accounting treatment of similar transactions, through the use of a uniform structure, creates reliable cost data for planning, budgeting, and other management purposes.

## 0706 OBJECTIVES AND BENEFITS

The [combination of the TFM USSGL Supplement](#), DoD Specified Accounts and Definitions (Figure 7-2), and the [USSGL SFIS Transaction Library](#):

A. [Provide a DoD](#) enterprise-wide standard general ledger chart of accounts and detailed transactions that incorporate budgetary, proprietary, and memorandum accounts [linked](#) to specific business events.

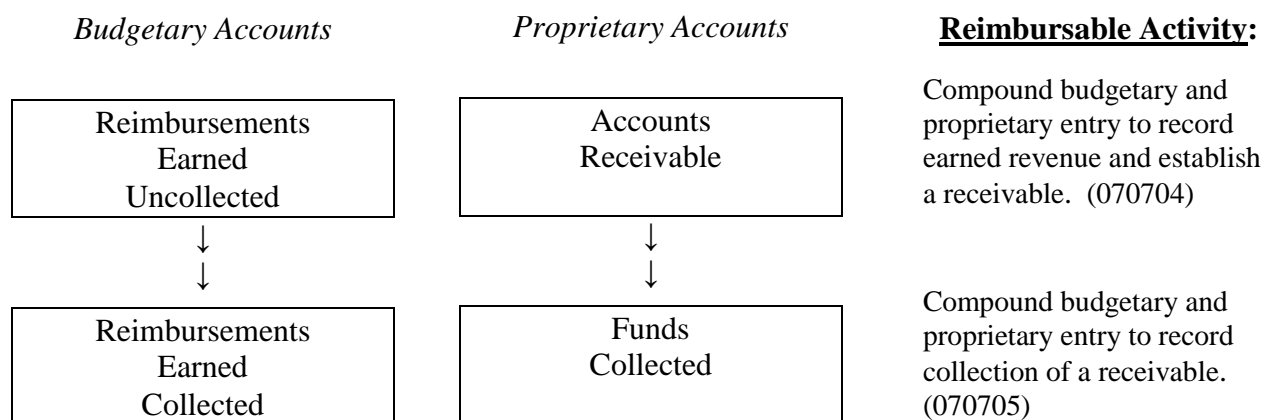
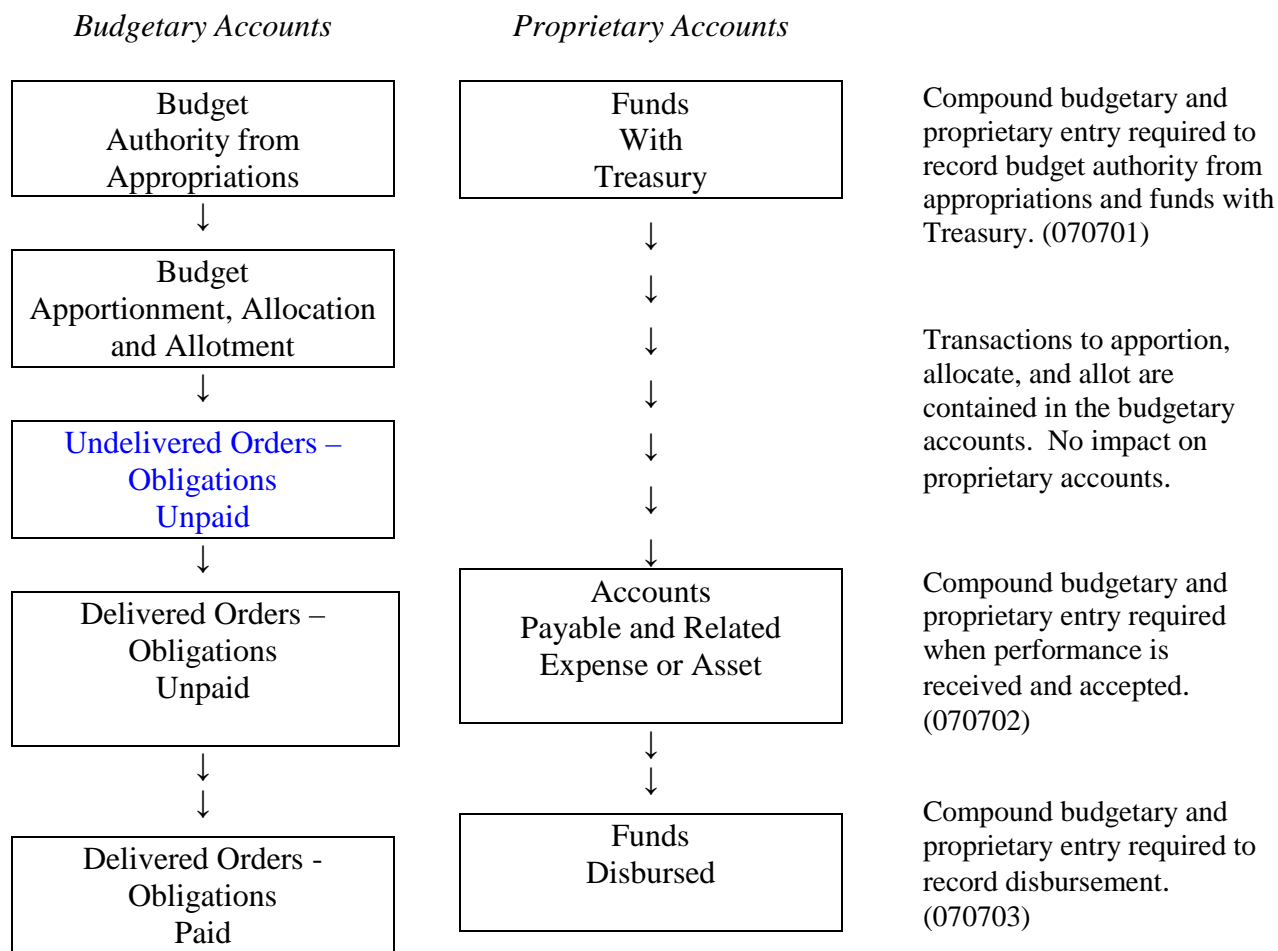
- B. Provide the ability to identify the appropriate transaction to post for a DoD business event.
- C. Achieve a uniform treatment of similar transactions by the DoD Components at all levels.
- D. Provide detailed transaction postings, which link to specific business and accounting events.
- E. Establish the linkage between the USSGL and the SFIS data elements that support detailed **DoD** general ledger postings.
- F. Promote a standard for updating existing DoD systems and deploying new business systems.
- G. Facilitate compliance with the OMB requirements; accounting standards developed by the Federal Accounting Standards Advisory Board (FASAB); DoD accounting policies and standards set forth in this Regulation; and other applicable regulations promulgated by the OMB, Treasury, and the Government **Accountability** Office.

#### 0707 BUDGETARY AND PROPRIETARY ACCOUNTING RELATIONSHIPS

Figure 7-1 **provides a basic conceptual relationship between** budgetary and proprietary accounting relationships for both direct funds and reimbursable activity. Specifically, in accounting for direct funds:

- A. A general ledger transaction to record the receipt of budget authority from appropriations in budgetary accounts requires a corresponding entry to record funds **in the** Treasury proprietary accounts.
- B. A general ledger transaction to record delivered orders unpaid in budgetary accounts requires a corresponding entry to record accounts payable or related liability **and** expense **and/or** asset **in** proprietary accounts.
- \* C. A general ledger transaction to record delivered orders paid in budgetary accounts requires a corresponding entry to record funds disbursed **and a reduction to the related accounts payable or liability in the** proprietary accounts.
- \* D. A general ledger transaction to record reimbursements earned but uncollected in budgetary accounts requires a corresponding entry to record accounts receivable **and revenue recognition in the** proprietary accounts.
- \* E. A general ledger transaction to record reimbursements earned and collected in budgetary accounts requires a corresponding entry to record funds collected **and a reduction to the related receivable in the** proprietary accounts.

\*Figure 7-1. Examples of Budgetary and Proprietary Accounting Relationships



\*Figure 7-2. DoD Specified USSGL Accounts and Definitions

**Account Title:** Internal Fund Distributions Issued  
**Account Number:** 4540  
**Normal Balance:** Credit

**Definition:** Represents the amount of obligational authority allocated from departmental levels to intermediate levels.

**Account Title:** Internal Fund Distributions Received  
**Account Number:** 4550  
**Normal Balance:** Debit

**Definition:** Represents the amount of direct and reimbursable program authority received from departmental level by an intermediate level activity. It can also represent the amount of suballocations received from another intermediate level activity.

**Account Title:** Funds Available for Allotment  
**Account Number:** 4560  
**Normal Balance:** Credit

**Definition:** Represents the amount of direct and reimbursable authority available at an intermediate level activity for allotment to installation level activities or suballocation to other intermediate level activities.

**Account Title:** Allotments Issued  
**Account Number:** 4570  
**Normal Balance:** Credit

**Definition:** Represents the amount of direct and reimbursable authority allotted by intermediate level activities to installation level activities or suballocated to other intermediate level activities.

**Account Title:** Allotments Received  
**Account Number:** 4580  
**Normal Balance:** Debit

**Definition:** Represents the amount of direct program allotments received for the fiscal year.

**NOTE:** This [figure](#) is limited to [DoD USSGL](#) accounts 4540 through 4580. The [remaining USSGL Accounts and Definitions](#) are in the [TFM USSGL Supplement](#), Section II: Accounts and Definitions. Related DTCs for accounts 4540 through 4580 are in the USSGL [SFIS](#) Transaction Library with a prefix OUSD.



**VOLUME 1, CHAPTER 9: “FINANCIAL RECORDS RETENTION”****SUMMARY OF MAJOR CHANGES**

All changes are denoted by *blue font*.

Substantive revisions are denoted by an \* symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by *bold, italic, blue and underlined font*.

The previous version dated April 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
TOC	Added Table of Contents (TOC).	Update
090204	Added reference to audited financial records retention requirements.	Update

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## CHAPTER 9

**FINANCIAL RECORDS RETENTION**

## 0901 OVERVIEW

## 090101. Purpose

This Chapter is the retention policy for financial records created or received and maintained by all elements of the Department of Defense (DoD).

## 090102. Applicability

This policy applies to all DoD Components as defined in the “Glossary” of the *DoD Financial Management Regulation* (DoDFMR).

## 0902 POLICY AND PROCEDURES

## 090201. Policy

Within the Federal Government, the [U.S. National Archives and Records Administration \(NARA\)](#) is responsible for promulgating procedures for the disposal of all U.S. Government records. The NARA records management program provides guidance and assistance for the management and disposition of federal records. Pursuant to its responsibility, NARA has issued general policies for the management and disposal of records. These policies can be found in [Title 36 of the Code of Federal Regulations, Parts 1220-1238](#). In addition, specific records disposal guidance mandatory under [Title 44 of the U.S. Code, Section 3303\(a\) \(44 U.S.C. 3303\(a\)\)](#), is contained in the [General Records Schedules](#) issued by NARA to provide disposal authorization guidance for administrative records, including fiscal accounting records. DoD has also prescribed records management policy and responsibilities in [DoD Directive 5015.2, “DoD Records Management Program.”](#)

## 090202. Authorized Records Schedules

All financial records, both paper and electronic, documenting the acquisition of DoD Property, Plant, and Equipment (PP&E), materials and supplies (including fixed and other assets, real and personal property, operating materials and supplies, stockpile materials, and National Defense PP&E), services, military and civilian pay, and other financial transactions must be maintained in accordance with the period specified in authorized records schedules. Authorized records schedules include the applicable NARA General Records Schedule or an alternative disposal schedule approved by NARA in accordance with [44 U.S.C. 3303](#) and [44 U.S.C. 3303\(a\)](#). Financial records may be retained for longer or shorter periods than specified by GRS guidelines if compelling reasons exist or supplemental guidance directs. However, NARA approval is required for any such alternative disposal schedules.

## 090203. Disbursing Officer Records

All disbursing officer records and associated papers are retained as government property as cited in [NARA Schedule 6](#), and Volume 5, Chapter 21 paragraph 210101.

## \*090204. Audited Financial Records Retention

See section 4.A.7 “Document Retention Requirements” of the [Financial Improvement and Audit Readiness Guidance](#) for guidance on the requirements for audited financial records retention.

**VOLUME 1, APPENDIX A: “OBJECT CLASSIFICATION”****SUMMARY OF MAJOR CHANGES**

All changes are denoted by **blue font**.

Substantive revisions are denoted by an \* symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue and underlined font**.

The previous version dated May 1993 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
N/A	Removed the detail-level description of object class codes, titles, and definitions.	Delete
2. c.	Added Standard Financial Information Structure information and link.	Add
3	Listed the major object classifications and added the reference to the Office of Management and Budget Circular No. A-11 that provides the detail-level list of object class codes, titles, and definitions.	Add

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## APPENDIX A

**OBJECT CLASSIFICATION**

## 1. Purpose

The purpose of this appendix is to provide necessary information on the object classes that are used as a uniform classification for identifying the transactions of the Federal Government by the nature of the goods or services purchased. Every obligation recorded by the Department of Defense must be coded with an object class.

## 2. Basic Concepts

a. Obligations incurred are the amounts of orders placed, contracts awarded, services received, and similar transactions during an accounting period that will require payment during the same or a future period. Such amounts include payments for which obligations have not been previously recorded, along with adjustments for differences between obligations previously recorded and actual payments to liquidate those obligations. The installation-level budgetary account structure requires that the amount of obligations incurred be segregated into undelivered orders and accrued expenditures - unpaid or paid.

b. Obligations are classified by the initial purpose for which they are incurred, rather than for the end product or service provided. For example, if payments are made directly for personal services or supplies used in the construction of a building, the amounts should be classified as obligations for personnel compensation or supplies rather than for land and structures. Conversely, if contracts are awarded for the construction of a building, the amounts should be classified in the object class for lands and structures rather than in the object class used to report individual types of materials and services required to construct the building.

\* c. Object class information is incorporated into DoD accounting systems, or derived from applicable expense and asset accounts, to allow for reporting by object class. Object Class Code is a required data element in the DoD Standard Financial Information Structure (SFIS), as defined in DoD FMR Volume 1, Chapter 4. Based on OMB Circular A-11, the specific values for Object Class Code and all other SFIS data elements are documented in the SFIS Values Library on the SFIS web page.

## \*3. Major Object Classifications

All Federal Government object classifications are listed and defined in OMB Circular No. A-11, Part 2, III, Section 83, Schedule O. The major object classes are:

- a. 10 Personnel compensation and benefits
- b. 20 Contractual services and supplies
- c. 30 Acquisition of assets
- d. 40 Grants and fixed charges
- e. 90 Other